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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN  
CHAIRMAN  
TONY WEST  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION

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DOCUMENT CONTROL

IN THE MATTER OF THE COMPETITION  
IN THE PROVISION OF ELECTRIC  
SERVICES THROUGHOUT THE STATE OF  
ARIZONA

Docket No. RE-00000C-94-165

**SEMPRA ENERGY TRADING CORP.'S  
COMMENTS**

Pursuant to the January 6, 1999 Procedural Order in this docket, Sempra Energy Trading Corp. ("SET") submits the following comments:

**I. UNRESOLVED ISSUES**

SET believes that the Staff's Comments (filed January 15, 1999) set forth most of the key unresolved issues, assuming the current Electric Competition Rules have no present effect. SET would add the following issues to those identified by Staff.

**A. Stranded Costs Issues**

1. What should be the appropriate rate of return (if any) on stranded and/or regulatory assets?
2. How should stranded costs be incorporated into the customers' bills?
3. Should distribution or transmission be a part of stranded cost?
4. How should radial lines serving one customer be treated?

**B. Tariff Issues**

1. How should ancillary services be incorporated into the market generation credit (MGC)?
  - a. Should there be a separate MGC for ancillary services?

...

1           **C.     Other Issues**

- 2                   1.     Should the distribution company be allowed to sell commodity?
- 3                   a.     Should the distribution company be the supplier of last resort or
- 4                             default provider?
- 5                   2.     Should the distribution company or an affiliate be allowed to own
- 6                             generation in the distribution company's service territory?
- 7                   3.     Should the distribution company be required to divest all its
- 8                             generation?
- 9                   4.     Should customers be allowed to own radial transmission or
- distribution serving only that customer?
- a.     If so, can existing lines be purchased from the incumbent utility?
- b.     At what price?

10       **II.    SCHEDULE FOR RESOLUTION**

11           SET supports the proposed RUCO/Attorney General schedule. Initially, the existing rules

12           should be examined to see what, if anything, can be salvaged. That consideration may narrow the

13           scope of subsequent proceedings.

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15

16   January 20, 1999.

17                             Respectfully submitted,

18                             **SEMPRA ENERGY TRADING CORP.**

19                             By 

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19 *Docket No. RE-00000C-94-165*

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